



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Sponsor Testimony in support of SB 920: Economic Development – Small, Minority, and Women-owned Business Accounts – Management Fees (Small Business Increased Access to Capital Act)

Testimony of Senator Kevin M. Harris

Chair Beidle, Vice-Chair Hayes, and Members of the Senate Finance Committee,

Our state's economy is struggling. Maryland lost 25,000 jobs due to changes at the federal level. Our real GDP grew just 1.4% in Q2 2025, well below the national rate of 3.8%. New business applications fell 6% in 2024, and small business survival rates dropped from 19% to 12%, one of the steepest declines in the region, as neighboring states like Delaware and Virginia continue to outpace Maryland in business formation, survival, and job creation.

As we look ahead to building a stronger economy, prioritizing helping small businesses is essential. One way we can do that is by making it easier for small businesses to access capital that will help them start and grow businesses. This need of course was recognized by legislators before me who established the Small, Minority, and Women-Owned Business Account - Video Lottery Terminal Fund (VLT) or SMWOBA for short at the Department of Commerce in 2007.

State law requires that 1.5 percent of the proceeds from VLTs at each lottery facility be paid into the account. This program provides investment capital and loans to small, minority, veteran-owned and women-owned businesses in the State, of which 50 percent must be allocated to jurisdictions surrounding a video lottery facility, and the remaining 50% is allocated statewide. Commerce, however, does not make any direct loans through this program; they have partnered with various public and private fund managers, of which there are currently 9. Participating fund managers make these loans to clientele with state funds and are able to retain any earnings through interest and application fees.

Since the inception of the Fund through FY25, over 1,400 transactions have settled for approximately \$150 million, projected to create over 6,000 new jobs and retain over 9,000 jobs. While this program, compared to other state lending/capital initiatives, has been successful in making capital accessible and stimulating economic development, we are starting to see an underutilization of State funds. By the end of FY26 Q2, the nine fund managers had 17.9 million dollars available in state checking accounts that were not being deployed to small businesses

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throughout the state. Additionally, there is a total of approximately \$40 million in unencumbered funds available to draw at the Department while they work to attract additional fund managers.

While traditional banks issue higher interest rates for 'higher risk' clientele, SMWOBA fund managers typically offer at or below market rates. These loans are small, ranging from a few thousand dollars to \$500,000, and are routinely passed over by traditional lenders as too risky. The entrepreneurs who need them often require additional technical assistance and support to ensure their investments succeed. The private sector alone simply does not serve this market, because these loans are either unprofitable or not profitable enough to justify the risk — or the staff time required to service them. This program exists to fill that gap, and without it, that capital does not reach entrepreneurs across the state.

SB 920 authorizes the Department of Commerce to allow fund managers to retain a management fee from SMWOBA of between 1.5% and 3% of each loan made under the program. In recognition of the importance of guardrails, this bill authorizes the Department to establish an annual cap any fund manager can receive in a given year from fund management.

Aside from attracting additional fund managers to help disperse the \$40 million available, these management fees will provide fund managers with the resources to market this program more broadly, increase the technical assistance available to entrepreneurs, and possibly hire dedicated SMWOBA lending staff, thereby increasing the access to capital for small businesses across our state.

I respectfully ask the committee for a favorable report on SB 920.